

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund
(Managed by Alistithmar for Financial Securities
and Brokerage Company)

FINANCIAL STATEMENTS

For the period from 16 November 2021
(Date of commencement of the Fund) to 31 December 2022
together with the

Independent Auditor's Report to the Unitholders



KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد 92876
الرياض 11663
المملكة العربية السعودية
سجل تجاري رقم 1010425494

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Unitholders of Alistithmar Capital Freestyle Saudi Equity Fund

Opinion

We have audited the financial statements of **Alistithmar Capital Freestyle Saudi Equity Fund** (the "Fund") managed by Alistithmar for Financial Securities and Brokerage Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the period from 16 November 2021 (date of commencement of the Fund) to 31 December 2022, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's Terms and Conditions and the Information Memorandum and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, is responsible for overseeing the Fund's financial reporting process.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR 40,000,000. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والنابعة لـ كي بي إم جي العالمية المحدودة، شركة إنجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Auditor's Report

To the Unitholders of Alistithmar Capital Freestyle Saudi Equity Fund

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Alistithmar Capital Freestyle Saudi Equity Fund ("the Fund")**.

KPMG Professional Services



Hani Hamzah A. Bedairi
License No: 460

Riyadh: 7 Ramadan 1444H
Corresponding to: 29 March 2023



ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December 2022
<u>ASSETS</u>		
Cash and cash equivalents	9	2,667,069
Dividend receivable		6,915
Investments	10	151,303,805
Total Assets		153,977,789
<u>LIABILITIES</u>		
Management fee payable	12, 14	295,239
Accrued expenses		102,177
Total Liabilities		397,416
Net assets (Equity) attributable to the Unitholders		153,580,373
Units in issue (numbers)		15,384,873
Net assets (Equity) attributable to each unit (SAR)		9.98

The accompanying notes 1 to 20 form an integral part of these financial statements.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND
 An open-ended mutual fund
STATEMENT OF COMPREHENSIVE INCOME
 For the period from 16 November 2021 to 31 December 2022
 (Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	For the period from 16 November 2021 to 31 December 2022
<u>INCOME</u>		
Dividend income		5,115,421
Gain on investments, net	11	913,262
Total income		6,028,683
<u>EXPENSES</u>		
Management fee	12, 14	(4,522,166)
Custody fee		(204,001)
Other expenses	13	(1,454,082)
Total expenses		(6,180,249)
Net loss for the period		(151,566)
Other comprehensive income for the period		--
Total comprehensive loss for the period		(151,566)

The accompanying notes 1 to 20 form an integral part of these financial statements.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND
 An open-ended mutual fund
STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
ATTRIBUTABLE TO THE UNITHOLDERS
 For the period from 16 November 2021 to 31 December 2022
(Amounts in Saudi Arabian Riyals)

	For the period from 16 November 2021 to 31 December 2022
Net assets (Equity) attributable to the Unitholders at beginning of the period	--
Total comprehensive loss for the period	(151,566)
Contributions and redemptions by the Unitholders:	
Contributions by the Unitholders	331,859,334
Redemptions by the Unitholders	(178,127,395)
Net contributions by the Unitholders	153,731,939
Net assets (Equity) attributable to the Unitholders at end of the period	153,580,373
 UNITS TRANSACTIONS <i>(numbers)</i>	
	For the period from 16 November 2021 to 31 December 2022
Units in issuance at beginning of the period	--
Units issued during the period	31,946,936
Units redeemed during the period	(16,562,063)
Net increase in units	15,384,873
Units in issuance at end of the period	15,384,873

The accompanying notes 1 to 20 form an integral part of these financial statements.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

STATEMENT OF CASH FLOWS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyals)

	<u>Notes</u>	<u>For the period from 16 November 2021 to 31 December 2022</u>
Cash flows from operating activities		
Net loss for the period		(151,566)
<i>Adjustment for:</i>		
Dividend income		<u>(5,115,421)</u>
		(5,266,987)
Changes in operating assets and liabilities:		
Increase in investments		(151,303,805)
Increase in management fee payable		295,239
Increase in accrued expenses		<u>102,177</u>
Cash used in operations		(156,173,376)
Dividend received		<u>5,108,506</u>
Net cash used in operating activities		(151,064,870)
Cash flows from financing activities		
Contributions by the Unitholders		331,859,334
Redemptions by the Unitholders		<u>(178,127,395)</u>
Net cash generated from financing activities		153,731,939
Net increase in cash and cash equivalents		2,667,069
Cash and cash equivalents at beginning of the period	9	--
Cash and cash equivalents at end of the period	9	<u><u>2,667,069</u></u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

1. GENERAL

Alistithmar Capital Freestyle Saudi Equity Fund (the “Fund”) is an open-ended investment fund created by an agreement between Alistithmar for Financial Securities and Brokerage Company (“Alistithmar Capital” or the “Fund Manager”), a wholly owned subsidiary of The Saudi Investment Bank (the “Bank”), and the investors (the “Unitholders”). The Fund commenced its operations on 16 November 2021.

The Fund is designed for investors seeking capital appreciation over the long-term period, through exposure to publicly traded Saudi equities and financial products. All income is reinvested in the Fund and is reflected in the net assets (equity) attributable to each unit.

Alistithmar Capital is the Fund Manager and Riyadh Capital Company (“Riyad Capital”) is the custodian of the Fund.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “Amended Regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016). The Regulation was further amended (the “Amended Regulations”) on 17 Rajab 1442 H (corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442 H (corresponding to 1 May 2021).

3. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”), and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA and the Fund’s Terms and Conditions.

The Fund’s first financial period runs from 16 November 2021 to 31 December 2022, and as a result, no comparative information is included in these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis, except for measurement of investments at fair value, using the accrual basis of accounting and the going concern concept.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

5. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the Fund’s functional currency. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

6. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) *Revenue recognition*

Dividend income

Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Fund and the amount of the dividend can be measured reliably. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in statement of comprehensive income in a separate line item.

Net gain from financial instruments at FVTPL

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income.

Net realised gain from financial instruments at FVTPL is calculated using the weighted average cost method.

(b) *Distributions to the Unitholders*

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders.

(c) *Fee and other expenses*

Fee and other expenses are recognized in statement of comprehensive income as the related services are received.

(d) *Zakat and tax*

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided for in these financial statements.

(e) *Provisions*

Provisions are recognized whenever there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(f) *Financial assets and financial liabilities*

Recognition and initial measurement

Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Financial assets and financial liabilities (continued)*

Financial assets and financial liabilities at FVTPL are initially recognised at fair value, with transaction costs recognised in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognised at fair value plus / (minus) transaction costs that are directly attributable to their acquisition or issue.

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent fair value changes in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss ("FVTPL")

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Business model assessment

The Fund Manager makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Financial assets and financial liabilities (continued)*

Business model assessment (continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost using the effective interest method unless it has designated liabilities at FVTPL.

Derecognition

The Fund derecognises a financial asset (or where applicable, a part of a financial asset or a part of group of similar financial assets) when the contractual rights to receive the cash flows from the financial asset have expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Financial assets and financial liabilities (continued)*

Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognized in profit or loss.

Transactions in which the Fund transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expired.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS as endorsed in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

(g) *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks, cash held with broker in trading account and with custodian in investment account and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

(i) Redeemable Units

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets at each redemption date and also in the event of the Fund's liquidation.

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

8. NEW STANDARDS

(a) New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB") have been effective from 1 January 2022 and accordingly adopted by the Fund, as applicable:

Standards / Amendments	Description
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
IFRS standards 2018-2020	Annual improvements to IFRS Standards 2018-2020
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	COVID 19 – Related Rent Concessions beyond 30 June 2021

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

(Amounts in Saudi Arabian Riyal)

8. NEW STANDARDS (CONTINUED)

(b) *New IFRS standards, IFRIC interpretations and amendments thereof issued but not yet effective*

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective are listed below. The Fund intends to adopt these standards when they become effective

<u>Standards / Amendments</u>	<u>Description</u>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12 and Income Taxes	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2023

9. CASH AND CASH EQUIVALENTS

	31 December 2022
Cash with custodian	<u>2,667,069</u>

10. INVESTMENTS

Equity securities:	31 December 2022
Investments at FVTPL	<u>151,303,805</u>

The table below summarize the Fund's exposure to equity securities of various industry sectors:

<u>Industry Sector</u>	<u>31 December 2022</u>	
	<u>Cost</u>	<u>Fair Value</u>
Financial services	41,376,073	38,319,007
Materials	44,276,682	34,382,599
Industrial	33,713,864	24,172,566
Energy	15,701,948	14,903,035
Consumer discretionary	13,157,037	12,211,421
Communication Services	8,515,447	8,340,950
Health Care	6,143,510	6,713,889
Information Technology	4,344,308	4,771,628
Utilities	4,431,180	4,517,877
Real Estate	3,715,035	2,970,833
	<u>175,375,084</u>	<u>151,303,805</u>

All investments are concentrated in the Kingdom of Saudi Arabia.

ALISTITHMAR CAPITAL FREESTYLE SAUDI EQUITY FUND

An open-ended mutual fund

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 November 2021 to 31 December 2022

*(Amounts in Saudi Arabian Riyal)***11. GAIN ON INVESTMENTS, NET**

	For the period from 16 November 2021 to 31 December 2022
Realised gain, net	24,984,541
Unrealised loss, net	(24,071,279)
	913,262

12. MANAGEMENT FEE

As per the terms and conditions of the Fund, the Fund pays a management fee to the Fund Manager equal to 1.75% per annum of the net assets value at each valuation date. Additionally, administration expenses paid by the Fund Manager on behalf of the Fund are reimbursed by the Fund and related expenses, if any, payable to the Fund Manager are classified in accrued expenses.

13. OTHER EXPENSES

	For the period from 16 November 2021 to 31 December 2022
Securities transaction cost	597,293
Legal and professional fee	49,096
Fund Board Fee	10,000
Shariah Board Fee	36,333
VAT expenses	761,360
	1,454,082

14. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Fund include the Fund Manager and the Fund Board. The Fund transacts business with its related parties in the ordinary course of its business.

In addition to transactions disclosed elsewhere in these financial statements, related party transactions and balances resulting from these transactions are as follows:

Transactions with related parties:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	For the period from 16 November 2021 to 31 December 2022
Alistithmar Capital	The Fund Manager	Management fee	4,522,166
		Securities transaction costs	597,293
The Fund Board	The Fund Board	The Fund Board Fee	10,000

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14. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Balances with related parties:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>31 December 2022</u>
Alistithmar Capital	The Fund Manager	Management fee payable	295,239

15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

<u>31 December 2022</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<u>Financial Assets</u>		
Cash and cash equivalents	2,667,069	--
Dividend receivable	6,915	--
Investments	--	151,303,805
Total Assets	2,673,984	151,303,805
<u>Financial Liabilities</u>		
Management fee payable	295,239	--
Accrued expenses	102,177	--
Total Liabilities	397,416	--

16. FINANCIAL RISK MANAGEMENT

Exposure

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow the Fund Manager to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk management is an independent function, which is functionally separated from the operational department and portfolio management.

The Risk Management department is primarily responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall risk management of the Fund.

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

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(Amounts in Saudi Arabian Riyal)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of listed equities in Saudi Stock Exchange (Tadawul).

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund Manager on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund is exposed to credit risk on its balance held with custodian and dividend receivable. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For all of transactions, the Fund mitigates this risk by conducting settlements through a regulated broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	31 December <u>2022</u>
Cash and cash equivalents	2,667,069
Dividend receivable	<u>6,915</u>
	<u>2,673,984</u>

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of counterparties.

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*(Amounts in Saudi Arabian Riyal)***16. FINANCIAL RISK MANAGEMENT (CONTINUED)*****Credit risk (continued)******Allowance for impairment***

The Fund has investments in only equity securities classified as FVTPL. Hence, no impairment allowance is recorded in these financial statements as per IFRS 9. The Fund's cash and cash equivalents are held mainly with counterparties having sound credit rating. Credit risk relating to is considered to be not significant.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemption of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's terms and conditions provide for the subscriptions and redemptions of units on daily basis and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions at any time.

The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The Fund's investments in listed securities are considered to be readily realizable because they are actively traded on Tadawul.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a short period of time.

The contractual maturity profile of the financial assets and financial liabilities of the Fund is as follows:

31 December 2022	Within 3 months	3 to 12 months	More than 1 year	No fixed maturity	Total
Cash and cash equivalents	--	--	--	2,667,069	2,667,069
Dividend receivable	6,915	--	--	--	6,915
Investments	--	--	--	151,303,805	151,303,805
Total financial assets	6,915	--	--	153,970,874	153,977,789
Management fee payable	295,239	--	--	--	295,239
Accrued expenses	102,177	--	--	--	102,177
Total financial liabilities	397,416	--	--	--	397,416
Net position	(390,501)	--	--	153,970,874	153,580,373

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16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices – such as commission rates, foreign exchange rates and equity prices – will affect the Fund’s income or the fair value of its holdings in financial instruments.

The Fund’s strategy for the management of market risk is driven by the Fund’s investment objectives as per the Fund’s terms and conditions. The Fund’s market risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund’s market positions are monitored on a timely basis by the Fund Manager.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The fund’s functional currency is SAR. All the Fund’s financial assets and liabilities are denominated in SAR. Hence, the Fund is not subject to currency risk.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund’s investments are susceptible to equity price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of industry concentration.

Sensitivity analysis

The table below sets out the effect on net assets attributable to the Unitholders of a reasonable possible weakening in the individual equity market prices of 10% at reporting date. This is calculated based on the Beta of the Fund as measured in-house by the Fund Manager. Beta calculates the responsiveness of the Fund’s price to changes in the Tadawul All Shares Index (TASI). The estimates are made on an individual investment basis. The analysis assumed that all other variables, in particular interest and foreign currency rates, remain constant.

	31 December 2022
Effect on net assets in SAR	
Net gain or loss on investments held at FVTPL	13,012,127
Effect on % of net assets attributable to the Unitholders	
Net gain or loss on investments held at FVTPL	8.47%

A strengthening in the individual equity market prices of 10% would have resulted in an equal but opposite effect to the amounts shown above.

Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund Manager monitors positions daily to ensure that it is maintained within established gap limits, if any. The Fund does not have commission bearing financial assets or financial liabilities. Hence, the Fund is not subject to commission rate risk.

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(Amounts in Saudi Arabian Riyal)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to the Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund measures certain financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund values equity securities that are traded on a stock exchange at their last reported prices. To the extent that equity securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy, hence the Fund's assets recorded at fair value have been categorized based on fair value hierarchy Level 1.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position. All below fair value measurements are recurring.

	31 December 2022			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments	<u>151,303,805</u>	<u>--</u>	<u>--</u>	<u>151,303,805</u>

Other financial instruments such as cash and cash equivalents, dividend receivable, management fee payable and accrued expenses are short term financial assets and financial liabilities whose carrying amounts are approximate to their fair values. Cash and cash equivalents are classified under level 1 while the remaining financial assets and liabilities are classified under level 3.

18. LAST VALUATION DAY

The last valuation day of the period was 31 December 2022.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events subsequent to the statement of financial position date which require adjustments of or disclosure in the financial statements or notes thereto.

20. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Manager on 28 Sha'ban 1444H (corresponding to 20 March 2023).